

Governor Frank H. Murkowski's  
Conference of Alaskans Speech  
Feb. 10, 2004 – Fairbanks, Alaska

Greetings fellow Alaskans. The sun is shining this morning.

I'd like to recognize those whose extraordinary efforts have made this conference possible. Mike Burns, Chair, and the Conference Conveners Marc Langland, Clark Gruening, Steve Frank, Eric Wolforth, Arliss Sturgelewski, and Helvi Sandvic.

I would also like to recognize Brian Rogers, the facilitator of the Conference. President Mark Hamilton and Chancellor Lind are here today also.

Last night we were addressed by Jack Coghill, one of six surviving members of the Constitutional Convention in 1955. The others are Vic Fisher, Seaborn J. Buckalew, Jr., Maynard D. Londborg, Burke Riley, and George Sunborg, Sr.

I'd also like to recognize Governor Jay Hammond, Rick Halford and the Legislators here today.

On behalf of all Alaskans, I thank each of you for setting aside other activities and responsibilities to participate in this most important exercise of citizenship.

Forty-nine years ago, 55 Alaskans gathered on this campus to begin deliberating a constitution in anticipation of Alaska statehood.

Ernest Gruening, who at the time was a former territorial governor and would later become one of Alaska's first U.S. Senators, noted that the gathering was the first occasion which was "wholly of, for, and most important, by the people of Alaska."

Over the next three days, this Conference of Alaskans will provide another occasion that will be a deliberation of Alaskans, for Alaskans and by Alaskans.

Your assignment is not as complex as writing a new constitution, but the consequence of your thoughtful recommendations could very well have an impact on future generations of Alaskans not unlike the impact of our State constitution.

A half-century ago, the work of the Constitutional Convention culminated with ratification of statehood in January 1959.

It marked *a new beginning* for Alaska.

We Alaskans chose statehood understanding the consequences.

We eagerly crossed the line – propelled at once by a federal hand that was too heavy in some areas, and by too much federal neglect in others. The hated fish traps were a symbol of our frustration and a target of our determination.

With control over our own affairs came responsibilities. Responsibilities for public safety, education, resource management and support for those in great need. These are the core purposes of government. These are the things that states do.

We entered the union uniquely situated to our task. Some doubted that we could succeed. The nation's only Arctic State. Virtually no public infrastructure. No power grid. Sparsely populated and virtually no private property. How could we shoulder the burden of government? How could we make fiscal ends meet?

Our statehood compact with the United States government uniquely addressed our unique need. The compact provided our new state with land.

- Almost 1/3 of our 365 million acres was set aside for the state
- This land was our seed capital.
- This land was to be used for the common benefit of our citizens.
- 104 million acres –
  - To be conveyed to the state for our common good.
  - Undeveloped - a potential source of wealth.

We discovered oil on our land and captured the royalty income to fund our government. We converted a portion of that royalty income to the renewable resource of annual earnings in our permanent fund—oil to cash.

Our challenge was enormous yet we have prevailed.

Almost 50 years later many of our citizens don't know about our unusual past  
Our present and our public discourse about a "fiscal gap" might sound familiar  
anywhere in the country. No more and no less than any other state:

- We grapple with public policy.
- We advocate for our interests.
- We encourage our economy; and
- We raise our families hoping they will raise theirs nearby.
- We seek more for our children than we have for ourselves.

These are the normal aspirations of a growing community.

I have made a personal journey along with Alaska. I went to school here and worked here. I married here. My wife Nancy was also born and raised here. I have enjoyed much success in Alaska. I've been elected to office five times – serving in public office nearly half my life. I have endured some defeats. I have met presidents and queens. I have held my own newborn babies in my arms, and years later I have held their babies. I've been around the world a couple of times, and been to a few county fairs. But I haven't before stood on a threshold like this and looked so clearly into the face of our future.

I cannot remember so much opportunity condensed into such a concentrated moment in time. Make no mistake. History will record what this Conference achieves.

Let's look at the story

- Our young state, burdened like many with deficit spending.
- Our economy heavily skewed in a single sector;
- Politically paralyzed by indecision about budget and finance;
- And yet we are endowed with extraordinary wealth.

Without our wealth we would be just another state on the rocks of fiscal instability.

With our wealth we have opportunity others can only imagine.

The story for history will not be about our fiscal gap – every state has the same problem. The story will be about our solution.

- No other state has our wealth. –
- No other state has our options.

The story will be about our climb out of our unique trap. Caught with oil and gas in the ground, with timber and fish, with gold, copper, zinc and silver, with \$28 billion dollars in the bank and with fiscal deficits and not enough money for the future to plow the roads.

We really have an allocation gap—not a fiscal gap.

I ask that you keep an open mind as you participate in the upcoming discussion over the questions I've asked you to cover regarding the purpose and future use of permanent fund income.

Don't get bogged down with extraneous conditions such as what you think will “fly” with the legislature or what you feel is politically expedient.

Your assignment is to recommend proper public policy for the long term. Do what you think is right.

In 1990, when another group of Alaskans participated in the commission on the future of the permanent fund, they reached a conclusion that no major changes were in order.

After hearing from Alaskans across the state, they concluded that state spending should be cut first. At the time, the state was spending \$2.25 billion to operate government. This happens to be the same amount we are projecting to spend in the next fiscal year. Does it mean spending is still too high?

Let me put it in perspective.

- \$2.25 billion in 1990 is equivalent to more than \$3.1 billion in today's dollars.

- Government spending has been reduced substantially since 1990, thanks to efforts by the Legislature.
- Furthermore, our state population has increased by almost 100,000 since 1990.
- And the Permanent Fund, which had a value of \$9.3 billion in 1990 – has grown three fold since then to 28 billion today.

In the 1990 review, just as today, some people argued for an income tax instead of considering income from the fund. I have not asked this conference to take up the income tax question but your discussion will be broad.

My reason is straightforward:

1. The optimum solution for the state's long-term economic health is to produce new money from the development of natural resources.  
This new money flows through the state's economy through jobs and good wages for Alaskans and business opportunities for Alaska companies.
2. Another way we inject new money into the economy is through disbursement of some of the earnings of the permanent fund distributed as dividends.

An income tax, on the other hand, simply recycles money.

Less than 10% of revenue that would be generated by an income tax would come from out-of-state workers and be considered new money. The rest would come out of the pockets of working Alaskans to be spent by government.

This doesn't help the economy and real job growth.

Some have suggested that an increased tax on the oil industry is the solution to our fiscal gap, starting with the economic limit factor (ELF).

While I would welcome the Legislature to begin hearings on ELF, it is not a substitute for our fiscal gap. ELF requires a careful review including: How many marginal fields are on line today because of ELF?

If our current ELF policy were so out of touch with return of revenues to the state, why are there not more major companies anxious to open up new fields to take advantage of the ELF incentive?

Why, for instance, did BP discontinue new exploration in Alaska? And finally, would an increase in ELF at this time be seen as inconsistent state policy?

On one hand we are negotiating incentives under the Stranded Gas Act with the Producers and MidAmerican, Co.

On the other hand, the applicants are basing their economics on certainty and predictability of government taxing policy.

Keep in mind, Alaska already is ranked as the most expensive onshore basin in the world.

It is for these reasons that I have asked you to limit your focus to the four questions before you.

Your recommendations may serve as the basis for legislation that hopefully will be submitted to the Legislature.

Then it is my hope that fellow Alaskans will vote on your proposals at the voting polls in November.

We are gathered here today on a ledge in our ascent to tomorrow.

Thank you – each of you – for being here

Thank you for lending your unique genius to the conference.

Thank you for putting aside your daily responsibilities and the comfort of your home  
For this is our date with destiny. This is our shining hour. You are the face of our state  
and in the next three days you will be the architect of its future.

Others have considered these issues, and you will have the benefit of their advice.  
Some are skeptical and you will be burdened with their doubt. Many are curious, and  
you may notice their scrutiny. I am optimistic, and you may be encouraged by my faith  
in your endeavor.

As you open the book on this conference each of you may seek inspiration differently. I step to the plate as Yogi Berra would advise – prepared for action. In his simple life philosophy yogi explains that tragedy lies in paralysis – not choice.

I have asked your advice about a choice for Alaska. I have asked you to recommend – to chart a course. If the choice were easy it would have already been made.

Your service to Alaska mirrors the service of those who wrote our constitution and set us on our way. Your service to Alaska honors the hard work of all Alaskans who together approach this crossroad. It is time for action.

We have arrived on the scene of Yogi's greatest wisdom: when you come to a fork in the road, take it.